ASIA CANNABIS CORP.

Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018

Independent Auditor's Report

To the Board of Asia Cannabis Corp.:

Opinion

We have audited the financial statements of Asia Cannabis Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from December 19, 2017 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from December 19, 2017 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sid Rieger.

MNP LLP

Calgary, Alberta
April 29, 2019

Chartered Professional Accountants

Asia Cannabis Corp.
Statement of Financial Position
As at December 31, 2018
(amounts in Canadian dollars)

	Notes		2018
Assets			
Current assets			
Cash		$	**484,153**
Subscription receivable			**10,000**
Deferred financing costs	6		**19,962**
Total current assets		$	**514,115**
Intellectual property	7		**40,000**
Total assets		$	**554,115**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$	**130,007**
Total liabilities		$	**130,007**
Shareholders' equity			
Share capital	8		**635,501**
Contributed surplus	8		**710,186**
Deficit			**(921,579)**
Total shareholders' equity		$	**424,108**
Total liabilities and shareholders' equity		$	**554,115**
Commitments	7		
Subsequent events	13		

See accompanying notes to the financial statements.

"David Pinkman"
Director

"Vincent Ghazar"
Director

Asia Cannabis Corp.
Statement of Loss and Comprehensive Loss
For the period from incorporation on December 19, 2017 to December 31, 2018
(amounts in Canadian dollars)

	Notes		2018
Revenue		$	-
Expenses			
Advertising and promotion			**5,250**
Consulting fees			**20,228**
Filing fees			**4,647**
Legal fees			**2,437**
Other			**4,976**
Share-based compensation	8		**710,186**
Transaction costs	6		**133,123**
Travel			**40,732**
Total expenses		**$**	**921,579**
Loss and comprehensive loss for the period		**$**	**(921,579)**
Loss per share			
Basic and diluted	11	**$**	**(0.06)**

See accompanying notes to the financial statements.

Asia Cannabis Corp.
Statement of Changes in Shareholders' Equity
(amounts in Canadian dollars)

	Number of shares		Share capital		Contributed surplus		Deficit		Total shareholders' equity
Shares issued upon incorporation	100	$	1	$	-	$	-	$	1
Shares issued for cash	29,200,000		600,000		-		-		600,000
Share issue costs	-		(4,500)		-		-		(4,500)
Issuance of shares to acquire intellectual property (Note 7)	2,000,000		40,000		-		-		40,000
Share-based compensation	-		-		710,186		-		710,186
Net loss for the period	-		-		-		(921,579)		(921,579)
Balance at December 31, 2018	**31,200,100**	**$**	**635,501**	**$**	**710,186**	**$**	**(921,579)**	**$**	**424,108**

See accompanying notes to the financial statements.

Asia Cannabis Corp.
Statement of Cash Flows
For the period from incorporation on December 19, 2017 to December 31, 2018
(amounts in Canadian dollars)

	Notes		2018
Operating activities			
Loss for the period		$	**(921,579)**
Adjustments for:			
Share-based compensation	8		**710,186**
Changes in non-cash working capital	5		**130,007**
Net cash used in operating activities		$	**(81,386)**
Financing activities			
Shares issued for cash	8		**600,001**
Share issue costs	8		**(4,500)**
Changes in non-cash working capital	5		**(29,962)**
Net cash from financing activities		$	**565,539**
Change in cash		$	**484,153**
Cash, beginning of the period			**-**
Cash, end of the period		$	**484,153**

See accompanying notes to the financial statements.

1. Incorporation

Asia Cannabis Corp. ("ACC" or the "Corporation") was incorporated by Certificate of Incorporation pursuant to the provisions of Alberta, Canada on December 19, 2017. During the period ended December 31, 2018, the Corporation initiated a process to become a publicly-listed entity on the Canadian Securities Exchange ("CSE"); on January 24, 2019, the Corporation successfully listed on the CSE under the symbol "ASIA".

2. Nature of organization and continuance of operations

The Corporation is an early-entry international agra-technology corporation, focused on the business of providing technological innovation to the hemp industries with the secondary aim of leveraging the value in that technological innovation to develop a portfolio of strategic agricultural investments. Pursuant to the terms of a License Agreement, the Corporation has secured the exclusive rights to use certain technology for use in the hemp industry in the entirety of Asia, including India, Thailand, Cambodia, Vietnam, Korea, Malaysia, Indonesia, Japan, Singapore, China, Miramar, Laos, and the Philippines (Note 7).

The address of the registered office of the Corporation is Suite 730, 1015 – 4th Street S.W., Calgary, Alberta, T2R 1J4.

The financial statements of the Corporation for the period from incorporation on December 19, 2017 to December 31, 2018 were authorized for issue on April 29, 2019.

The Corporation's continuing operations, as intended, will require additional funding. There is no assurance that the Corporation will be able to obtain the required future funding.

3. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Basis of preparation (continued)

The following discussion sets forth management's most critical estimates, judgments and assumptions in preparation of the financial statements:

Taxes

The Corporation files corporate income tax, goods and service tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of any differing tax positions through negotiations or litigation with tax authorities can take several years to complete. The Corporation does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain.

Estimates of future taxable income are based on forecasted funds from operations. During the period ended December 31, 2018, the Corporation has not recorded any deferred tax assets or liabilities due to the uncertainty of future taxable profits

Share options and warrants

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the volatility using historical volatilities of peer companies that are publicly traded, market price of the Corporation's shares at the grant date, expected lives of the options and warrants, risk-free interest rate, forfeiture rate, expected dividends and other relevant assumptions.

The Corporation adopted a share option plan, which allows the Corporation to issue options to the directors and officers of the Corporation to purchase ordinary shares of the Corporation at a stipulated price. The option grants will not exceed 10% of the issued and outstanding ordinary shares of the Corporation. The Corporation measures these amounts at fair value at the grant date using the Black-Scholes option pricing model and compensation expense is recognized over the vesting period.

4. Significant accounting policies

Intangible asset

The Corporation's intangible asset consists of the intellectual property that was acquired separately thus it is measured initially at cost. Following its initial recognition, the intellectual property is recorded at cost less accumulated amortization and impairment losses, if any. This intellectual property is a finite life intangible asset and is amortized on a straight-line basis over their estimated useful lives being 20 years and are tested for impairment whenever circumstances indicate their carrying value may not be fully recoverable.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. Significant accounting policies (continued)

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the balance sheet and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Cash

Cash includes cash on deposit at banking institutions.

Financial instruments

Financial assets

Recognition and initial measurement

The Corporation recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash.

Reclassifications

The Corporation reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Corporation recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when the Corporation has no reasonable expectations of recovering all or any portion thereof.

Refer to note 10 for additional information about the Corporation's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

4. Significant accounting policies (continued)

Derecognition of financial assets

The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability or a component classified as a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Impairment – non-financial assets

The Corporation assesses during each reporting period whether there have been any events or changes in circumstances that indicate that its intangible assets (intellectual property) may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include but are not limited to changes in the Corporation's business plans, economic performance of the assets, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Impairments are recognized immediately in the profit or loss.

In subsequent years, assessments are made at each reporting period date as to whether any indication exists that previously recognized impairment losses no longer exist or have decreased. If indication exists, the Corporation calculates the new recoverable amount. Reversal of impairment losses are limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior periods. Reversal of impairment losses are recognized, when incurred, in the profit or loss.

4. Significant accounting policies (continued)

Share-based payments

Share-based payments are comprised of share option awards granted to employees, directors and others which are equity-settled share-based payments. These equity-settled share-based payments are measured at the fair value of the equity instruments and are recognized as an employee expense with the offsetting credit as an increase to contributed surplus.

Upon exercise of share options, the Corporation issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to the shareholders of the Corporation by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of shares outstanding for the effect of all potential shares, which is comprised of any outstanding awards or options. Escrow shares, which are considered contingently issuable, are excluded from loss per share calculations.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Corporation may incur various costs when issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Costs related to a planned equity offering not completed at the financial statement date are recorded as deferred financing costs until the offering is either completed or abandoned. The costs of an equity transaction that is abandoned are recognized as an expense.

Foreign currency

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are subsequently adjusted to reflect the exchange rates in effect at the reporting date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates. Foreign exchange gains and losses are included in the determination of net loss for the period.

Share purchase warrants

Share purchase warrants may be granted to third parties as partial compensation for services or issued to shareholders are part of unit financings. Share purchase warrants are measured at the fair value of the equity instruments and are recognized as share issue costs with an offsetting credit as an increase to warrant capital.

Upon exercise of share purchase warrants, the Corporation issues new shares. The associated fair value amount is reclassified from the warrant capital to share capital. The proceeds received net of any directly attributable transaction costs are credited to share capital when the share purchase warrants are exercised.

(amounts in Canadian dollars)

4. Significant accounting policies (continued)

Accounting pronouncements early adopted:

IFRS 9, *Financial Instruments* replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted; therefore, the Corporation has adopted it effective December 19, 2017 (date of incorporation).

IFRS 15, *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 requires additional disclosures to disclose disaggregated revenue by product type. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted; therefore, the Corporation has adopted it effective December 19, 2017 (date of incorporation). The Corporation does not have any Revenue from Contracts with Customers during the period.

Future accounting pronouncement:

The IASB has issued the following new standard that will be relevant to the Corporation in preparing its financial statements in the future periods:

IFRS 16, *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”) and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its financial statements and the extent of the impact has not yet been determined.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

		2018
Sources (uses) of cash:		
Subscription receivable	$	(10,000)
Deferred financing costs		(19,962)
Accounts payable and accrued liabilities		130,007
	$	100,045
Related to operating activities	$	130,007
Related to financing activities		(29,962)
	$	100,045

6. Deferred financing costs and transactions costs

During the period ended December 31, 2018, the Corporation initiated a process to become a publicly-listed entity on the CSE. The costs associated with the issuance of new equity were recorded as deferred financing costs, which at December 31, 2018 totalled $19,962, whereas costs associated with the listing were expensed as transaction costs, which during the period ended December 31, 2018 totalled $133,123.

7. Intellectual property

On February 2, 2018, the Corporation entered into an assignment and assumption agreement (the “Agreement”) with Implanta Biotechnology Inc. (“Implanta”) and SHM Grow Corp. (“SHM”) with respect to the assignment to the Corporation of all rights, title and interest in a letter of intent. Pursuant to the Agreement the Corporation issued 2,000,000 common shares to the shareholders of Implanta on February 23, 2018 at a fair value price of $0.02 per common share, for aggregate consideration of $40,000.

On March 7, 2018, the Corporation entered into a license agreement (the “License Agreement”) with Implanta wherein Implanta granted the Corporation the exclusive license to use a proprietary organic hybridization technology for planting, growth and harvesting of new and valuable hemp strains and related crops in commercial quantities. The Corporation intends to apply the technology to hemp industry in the entirety of Asia, including India, Thailand, Cambodia, Vietnam, Korea, Malaysia, Indonesia, Japan, Singapore, China, Miramar, Laos, and the Philippines.

In return for the grant of license to the Corporation, the Corporation will pay royalties on the sale of seed and related by-products on a sliding scale basis. In addition, the Corporation has agreed to complete a test program in the subject territory to demonstrate the application of the licensed technology with a budget of not less than $1.0 million and to pay a retainer of $5,000 per month commencing January 2019 to the licensor for completion of related laboratory work and analysis.

In line with the requirements of IFRS, the Corporation carried out an impairment test of the intellectual property as it was not available for use. Management determined that the recoverable amount exceeded the carrying value of the intellectual property. Accordingly, no impairment was recorded.

(amounts in Canadian dollars)

8. Share capital

a) Authorized

Unlimited number of voting common shares, without par value.

Unlimited number of preferred shares issuable in series, as determined by the directors.

b) Issued

Common shares	**Number of shares**		**Amount**
Incorporation (i)	100	$	1
Issuance of shares for cash (ii)	29,200,000		600,000
Issuance of shares to acquire intellectual property (Note 7)	2,000,000		40,000
Share issue costs (iii)	-		(4,500)
Balance at December 31, 2018	**31,200,100**	**$**	**635,501**

(i) On December 19, 2017, the Corporation issued 100 common shares of the Corporation at an issue price of $0.01 per common share, for aggregate gross proceeds of $1.00.

(ii) On February 22, 2018, the Corporation issued 28,800,000 common shares of the Corporation at an issue price of $0.02 per common share, for aggregate gross proceeds of $576,000. On February 24, 2018, the Corporation issued 400,000 common shares of the Corporation at an issue price of $0.06 per common share, for aggregate gross proceeds of $24,000.

(iii) In connection with the closing of the private placements above, the Corporation incurred $4,500 in share issue costs.

c) Options

On March 1, 2018, the Corporation granted 3,120,010 share options to directors and officers pursuant to its stock option plan to purchase common shares at an exercise price of $0.25 per common share, exercisable for a period of five years from the date of grant.

The Corporation calculated the fair value of options granted in 2018 using the Black-Scholes option pricing model using the following weighted average assumptions:

	2018
Share-price	$0.25
Risk-free interest rate	1.75%
Expected volatility	150%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	$0.23

The fair value of the 3,120,010 fully vested options granted on March 1, 2018 was $710,186, with a corresponding credit to contributed surplus.

8. Share capital (continued)

d) Escrow shares

Pursuant to the terms of an escrow agreement dated April 25, 2018, a total of 14,953,933 common shares issued to the directors and officers of the Corporation will be held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released upon the listing date and an additional 15% will be released therefrom every 6-month interval thereafter, over a period of 36 months. These escrow shares, which are considered contingently issuable, are excluded from loss per share calculations.

9. Capital management

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a purchase of assets or a business with a view to completing a qualifying transaction.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

(i) to maintain a flexible capital structure, which optimizes the cost of capital and acceptable risk; and

(ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at period end.

10. Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash held in trust and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments, except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of the Corporation’s financial instruments, consisting of cash and accounts payable and accrued liabilities, approximate their fair value due to the short-term maturities of these items.

(amounts in Canadian dollars)

10. Financial instruments (continued)

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. All of the Corporation's cash was held with one financial institution as at December 31, 2018, which is a Canadian Bank. Management believes that the risk of loss is minimal but the Corporation is subject to concentration of credit risk.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to settle its liabilities as and when they fall due. As at December 31, 2018, the Corporation had a cash balance of $484,153 to settle obligations of $130,007. All of the Corporation's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk

The Corporation has cash balances that bear no interest.

(ii) Foreign currency risk

The Corporation does not have assets or liabilities denominated in a foreign currency.

11. Loss per share

The following table summarizes the common shares used in calculating loss per share:

	2018
Weighted average common shares outstanding	
Basic and diluted	15,896,961

12. Income tax expense

The Corporation does not have any current tax liability in view of the tax losses carried forward. The Corporation does not recognize any deferred tax asset in line with its accounting policy stated in note 4.

13. Subsequent events

On January 11, 2019, the Corporation completed its initial public offering of 5,047,000 common shares at the price of $0.25 per common share pursuant to a Prospectus dated October 29, 2018 for gross proceeds of $1,261,750 (the "Offering" or the "IPO"). The Corporation has been listed as a hemp research and development company on the CSE. The common shares of the Corporation commenced trading on the CSE under the trading symbol "ASIA" on January 24, 2019.

After closing the Offering, the Corporation has: (i) 36,247,100 common shares issued and outstanding (14,953,933 of which are subject to escrow restrictions); (ii) 403,760 common shares reserved for issuance upon the exercise of the common share purchase warrants granted to the Agent upon completion of the IPO (the "Agent's Warrants"); these Agent's Warrants are exercisable at a price of $0.25 per common share until January 10, 2021; and (iii) 3,120,010 common shares reserved for issuance upon the exercise of stock options, exercisable until March 1, 2023 at a price of $0.25 per common share.

In addition, the Agent received an aggregate total cash commission of $61,940 in connection with Offering, representing an 8% commission on the total "non-President's List" proceeds from the Offering in the amount of $611,750 and a 2% commission on the proceeds from the Offering arising from a "President's List" of subscribers in the amount of $650,000. Additionally, the Agent was paid an administration fee and granted the Agent's Warrants.

On February 20, 2019, the Corporation entered into a share purchase agreement with the shareholders for the purchase of all issued and outstanding common or voting shares of Asia Cannabis Industry Co. Ltd. ("ACI"), a company incorporated under the laws of the Kingdom of Cambodia. The purchase price of shares shall be $1.00. The transaction includes the purchaser ACI is indebted to various creditors in the aggregate amount of not more than US$180,000.

On February 27, 2019, the Corporation granted an aggregate of 550,000 stock options (each, an "Option") to a director of the Corporation in accordance with the Corporation's stock option plan, which vested immediately. Each Option is exercisable into one common share in the capital of the Corporation (each, a "Share") at a price of $0.25 per share for a period of five years from the date of grant.